

Message Text

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SUBJECT: THIRD QUARTER CANADIAN BALANCE OF PAYMENTS

1. SUMMARY. ESTIMATES BY STATISTICS CANADA OF THIRD QUARTER BALANCE OF PAYMENTS SHOW SEASONALLY ADJUSTED CURRENT ACCOUNT DEFICIT OF C\$682 MILLION, WHICH WAS SMALLEST DEFICIT SINCE FOURTH QUARTER 1974, AND NET CAPITAL INFLOW OF ONLY C\$99 MILLION, DOWN SHARPLY FROM C\$1,324 MILLION IN PRECEDING QUARTER.
END SUMMARY.

2. STATISTICS CANADA RELEASED ON DECEMBER 15 ESTIMATES OF THIRD QUARTER CANADIAN BALANCE OF PAYMENTS, SHOWING SEASONALLY ADJUSTED CURRENT ACCOUNT DEFICIT C\$682 MILLION WHICH WAS SMALLEST QUARTERLY DEFICIT SINCE FFOURTH QUARTER OF 1974. THREE PERCENT EXPANSION IN LEVEL OF MERCHANDISE IMPORTS AND NEARLY TWO PERCENT DECREASE IN MERCHANDISE IMPORTS PRODUCED SURPLUS IN MERCHANDISE TRADE OF C\$620 MILLION, LARGEST SINCE FIRST QUARTER OF 1974.

3. SEASONALLY ADJUSTED DEFICIT ON GOODS AND SERVICES WAS C\$819 MILLION, DOWN FROM C\$1,325 MILLION IN SECOND QUARTER. TOTAL SERVICE RECEIPTS WERE C\$1,873
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MILLION, UP FROM C\$1,769 MILLION IN SECOND QUARTER, AND SERVICE PAYMENTS WERE C\$3,312 MILLION, UP FROM C\$3,282 MILLION IN SECOND QUARTER.

4. NOT SEASONALLY ADJUSTED, CURRENT ACCOUNT DEFICIT WAS C\$389 MILLION, DOWN FROM C\$1,292 MILLION REGISTERED

IN PREVIOUS QUARTER. EXPORTS OF GOODS AND SERVICES WERE C\$11,412 MILLION, UP FROM C\$11,963 MILLION IN SECOND QUARTER AND IMPORTS OF GOODS AND SERVICES WERE C\$12,032 MILLION, DOWN FROM C\$13,524 MILLION.

5. ON CAPITAL ACCOUNT, THIRD QUARTER ESTIMATES FOR NET CAPITAL NFLOW WERE C\$99 MILLION, DOWN FROM INFLOW OF C\$1,324 MILLION IN PREVIOUS QUARTER. CANADA'S OFFICIAL RESERVES FELL BY C\$173 MILLION.

6. FOR DIRECT INVESTMENT IN CANADA, THERE WAS NET OUTFLOW OF C\$290 MILLION, WHICH STATCAN ATTRIBUTED TO PURCHASE BY CANADA OF "VERY LARGE DIRECT INVESTMENT IN CANADA" (PRESUMABLY DUVAL POTASH OPERATIONS IN SASKATCHEWAN). DIRECT INVESTMENT ABROAD WAS C\$115 MILLION, DOWN SOMEWHAT FROM C\$140 MILLION IN SECOND QUARTER. NEW CANADIAN ISSUES ABROAD WERE C\$2,145 MILLION, AND BALANCE OF CAPITAL MOVEMENTS IN LONG-TERM FORM WAS NET INFLOW OF C\$1,628 MILLION.

7. ON BALANCE OF CAPITAL MOVEMENTS IN SHORT-TERM FORM, THERE WAS NET OUTFLOW OF C\$1,529 MILLION. SIGNIFICANT COMPONENT OF THIS OUTFLOW, ACCORDING STATCAN, WAS DROP OF C\$348 MILLION IN NON-RESIDENT HOLDINGS OF CANADIAN DOLLAR DEPOSITS.

8. CANADA'S BILATERAL ACCOUNT WITH U.S. SHOWED CURRENT ACCOUNT DEFICIT (NOT SEASONALLY ADJUSTED) OF C\$381 MILLION, DOWN CONSIDERABLY FROM C\$1,091 MILLION IN PREVIOUS QUARTER. MERCHANDISE EXPORTS OF C\$6,063 UNCLASSIFIED

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MILLION AND SERVICE RECEIPTS OF C\$1,286 MILLION, COMBINED WITH MERCHANDISE IMPORTS OF C\$5,695 MILLION AND SERVICE PAYMENTS OF C\$2,062 MILLION, PRODUCED DEFICIT ON GOODS AND SERVICES BALANCE OF C\$408 MILLION.

9. ON CAPITAL ACCOUNT, CANADA'S BILATERAL ACCOUNT WITH U.S. SHOWED DIRECT INVESTMENT IN CANADA OUTFLOW OF C\$311 MILLION AND DIRECT INVESTMENT ABROAD OF C\$54 MILLION. NEW CANADIAN ISSUES WERE C\$1,318 MILLION, AND BALANCE OF CAPITAL MOVEMENTS IN LONG-TERM FORM WAS INFLOW OF C\$681 MILLION. TOTAL NET CAPITAL BALANCE WITH U.S. WAS DEFICIT OF C\$575 MILLION, AS OPPOSED TO SURPLUS OF C\$773 MILLION IN SECOND QUARTER.
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